1.5 Comparative Advantage

**Objective:**

* **What is the comparative advantage model?**
* **How can free trade benefit individuals and societies?**
* **How can we determine favorable terms of trade for two parties?**

|  |  |
| --- | --- |
| Definition:Reason for:  | Specialization |
| Definition:  | Absolute Advantage |
|  Definition:  | Comparative Advantage |
|  Fish CheeseChrisPat | **(Class Notes)**Explain the ratio (dot dot) method for calculating comparative advantage. Explain how this illustrates the principle of comparative advantage.  |
|  | **(Class Notes)**Why do people trade? |
|  | How does trade create wealth? |